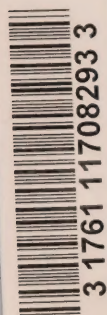


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NATIONAL ENERGY BOARD REASONS FOR DECISION

Foothills Pipe Lines (Yukon) Ltd.

Application dated 15 June 1987
for Approval of the Institution
of Interruptible Service

RH-5-87

December 1987



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Recital and Appearances

IN THE MATTER OF the National Energy Board Act and the Regulations made thereunder;
and

IN THE MATTER OF an application by Foothills Pipe Lines (Yukon) Ltd. for certain orders
respecting tolls and tariffs pursuant to Part IV of the National Energy Board Act and Part II
of the Northern Pipeline Act.

HEARD in Ottawa, Ontario on 5, 6, 7, 8 and 9 October 1987.

BEFORE:

A.D. Hunt	Presiding Member
J.R. Jenkins	Member
R.B. Horner, Q.C.	Member

APPEARANCES:

J. Lutes	Foothills Pipe Lines (Yukon) Ltd.
A.S. Hollingworth	Independent Petroleum Association of Canada
J.R. Smith, Q.C.	Alberta Natural Gas Company Ltd
H.M. Kay, Q.C.	ATCOR Ltd.
F. Basham	BP Resources Canada Limited
H.M. Kay, Q.C.	Direct Energy Marketing Limited
J.H. Smellie	Natural Gas Pipeline Company of America
L.E. Smith	Northern Border Pipeline Company
R.A. Hill	
C.R. Rich	Northwest Alaskan Pipeline Company
D.G. Hart, Q.C.	Ocelot Industries Ltd.
F.R. Foran	Pan-Alberta Gas Ltd.
D.A. Dawson	
P. McIntyre	Poco Petroleums Ltd.
H.R. Ward	ProGas Limited
N. Boutillier	
H.M. Kay, Q.C.	Shell Canada Limited
M.M. Peterson	Suncor Inc.
S. Jakymiw	TransCanada PipeLines Limited
P. McCunn Miller	Alberta Petroleum Marketing Commission
R.W. Graw	National Energy Board

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Abbreviations

Act NEB Act	National Energy Board Act
ANG	Alberta Natural Gas Company Ltd
Applicant Company Foothills	Foothills Pipe Lines (Yukon) Ltd.
Board NEB	National Energy Board
FERC	United States Federal Energy Regulatory Commission
IPAC	Independent Petroleum Association of Canada
IT	Interruptible Transportation Service
IT-1	Interruptible Toll - Tier 1
IT-2	Interruptible Toll - Tier 2
km	Kilometre
Northern Border	Northern Border Pipeline Company
Northwest Alaskan	Northwest Alaskan Pipeline Company
NOVA	NOVA Corporation of Alberta
Ocelot	Ocelot Industries Ltd.
OT	Overrun Transportation Service
Pan-Alberta	Pan-Alberta Gas Ltd.
Poco	Poco Petroleums Ltd.
ProGas	ProGas Limited
SGS-1	Small General Service
Shell	Shell Canada Limited
Suncor	Suncor Inc.
T-1	Long-term Firm Service
10^3m^3	Thousand Cubic Metres
$10^3\text{m}^3/100\text{km}$	Thousand Cubic Metres per 100 Kilometres

Definitions

Zone 6	This zone consists of a mainline pipe which runs parallel to the NOVA line from Caroline, Alberta to the Alberta-Saskatchewan border near Empress, Alberta.
Zone 7	This zone consists of a series of loops which runs parallel to the NOVA line from Caroline, Alberta to the Alberta-British Columbia border near Coleman, Alberta.
Zone 8	This zone consists of a series of loops which runs parallel to the ANG line from the Alberta-British Columbia border near Coleman, Alberta to the U.S.-Canada border at Kingsgate, British Columbia.
Zone 9	This zone consists of a mainline pipe which runs from the Alberta-Saskatchewan border near Empress, Alberta to the U.S.-Canada border near Monchy, Saskatchewan.
Maximum Daily Receipt Quantity	The maximum daily volume that Foothills is obligated to accept from a shipper, and the shipper may deliver to Foothills, at the receipt point for transportation through Foothills' transportation system.
Receipt Deficiency	Under Foothills' Firm Service Rate Schedule, if on any day in any month, Foothills is unable to receive from a firm shipper any portion of the gas nominated by the shipper, to the extent that the nomination is within the quantity contracted for under the shipper's firm service agreement, such portion is the shipper's receipt deficiency for the day.
Make-Up Gas	Receipt deficiencies arising in a billing month are to be discharged to the extent of gas received by Foothills from a shipper that is in excess of the shipper's contracted firm quantity on any day in the billing month in which the deficiency arose. To the extent not so discharged, receipt deficiencies shall be discharged by the receipt of make-up gas in subsequent billing months.

Overview

(NOTE: This overview is provided solely for the convenience of the reader and does not constitute part of this Decision or the Reasons, for which readers are referred to the detailed text.)

The Application

On 15 June 1987, Foothills Pipe Lines (Yukon) Ltd. applied to the Board for approval of the institution of interruptible service on Zones 8 and 9 of its pipeline system to be effective 1 July 1987. The main features of the Foothills application included: interruptible tolls of \$4.066/10³m³/100km for Zone 8 and \$2.759/10³m³/100km for Zone 9 based on a 100 percent load factor; a method of crediting revenue resulting from the provision of interruptible service to the long-term firm cost of service; and, methodologies for assigning priority among services and allocating space within the interruptible service.

The Hearing

A public hearing was held at the NEB's offices in Ottawa, Ontario during the period 5 October 1987 to 9 October 1987.

Highlights of the Board's Decision

Institution of Interruptible Service

The Board accepted the view that there is no need, at present, for interruptible service on Zones 6 and 7. With respect to Zone 8, the Board noted that there is little unused capacity available for interruptible service on this zone and a lack of demonstrated interest by parties in the service. Accordingly, the Board was not prepared at this time to approve the institution of interruptible service on Zone 8. The Board did, however, approve the institution of interruptible service on Zone 9.

Overrun Service

Since the Board did not approve the institution of interruptible service on Zones 6, 7 and 8, the Board accepted the continuation of the provision of overrun service for these zones. For Zone 9, however, the Board considered it no longer appropriate for Foothills to continue the provision of overrun service.

Interruptible Toll Design

The Board decided that Foothills shall offer two tiers of interruptible service on Zone 9 to be established at 100 percent of the forecast of the zone cost of service, one at 90 percent load factor (IT-1) and the other at 100 percent load factor (IT-2).

Methods of Calculating Interruptible Tolls

The Board accepted Foothills' proposal that the interruptible tolls be based on the annual forecast of the gross cost of service and that the revenues received from interruptible service be credited to the firm service zone cost of service. The Board decided that the Company shall file, by 1 February of each year, for the review and approval of the Board, proposed interruptible tolls for Zone 9 based on a forecast cost of service for the then current calendar year.

The Board approved interruptible tolls of $\$3.065/10^3\text{m}^3/100\text{km}$ for Tier 1 Service and $\$2.759/10^3\text{m}^3/100\text{km}$ for Tier 2 Service to become effective upon the date of release of this Decision.

Priority of Service

The Board decided that Long-term Firm Service and Small General Service shall have the highest priority on the zone, followed first by the firm shippers' right to receipt deficiency and make-up gas under the firm rate schedule; followed secondly by Tier 1 Interruptible Service; and, lastly by Tier 2 Interruptible Service.

The Board also decided that, should the allocation of capacity among interruptible shippers be required, interruptible service will be apportioned on the basis of a pro rata allocation of the daily nominated volumes with Tier 1 nominations not being apportioned until all Tier 2 nominations have been curtailed.

Other Tariff Matters

In view of the Board's decision to adjust the interruptible tolls on 1 April of each year, the Board required the initial term of service to extend to 31 March 1988.

Chapter 1

Background and Application

1.1 Background

Foothills Pipe Lines (Yukon) Ltd. (the Applicant, Foothills, the Company) is incorporated under the laws of Canada and is deemed by subsection 31(2) of the Northern Pipeline Act to be a company for the purposes of Part II of the Northern Pipeline Act and Part IV of the National Energy Board Act (the Act). Foothills has its head office in Calgary, Alberta.

The subsidiaries of Foothills hold Certificates of Public Convenience and Necessity issued pursuant to subsections 20(1) and 20(2) of the Northern Pipeline Act for the construction and operation of the pipeline, as defined in the Northern Pipeline Act, for the transportation of natural gas between the Alaska/Yukon border and the international boundary near both Monchy, Saskatchewan and Kingsgate, British Columbia.

Phase I of the pipeline, the "prebuild facilities", consisting of Zones 6, 7, 8 and 9, has been constructed and is presently transporting natural gas for export and domestic use. The Western Leg of the prebuild facilities, Zone 7 in southwestern Alberta and Zone 8 in southeastern British Columbia, commenced transporting gas on 1 October 1981. Gas commenced flowing on the Eastern Leg, Zone 6 in southeast Alberta and Zone 9 in southwestern Saskatchewan, on 1 September 1982.

The National Energy Board (NEB, the Board) has jurisdiction pursuant to Part II of the Northern Pipeline Act and Part IV of the NEB Act over tolls and tariffs to be charged by Foothills for transportation services. Board Order Nos. TG-1-79, TG-4-79, TG-5-81, TG-6-81 and TG-4-82, all as amended, govern the methods of calculation and tolls to be

charged by Foothills pursuant to its Phase I Gas Transportation Tariff.

1.2 Application

On 15 June 1987, Foothills applied to the Board for an order or orders, pursuant to Part IV of the NEB Act and Part II of the Northern Pipeline Act, approving:

1. amendments to the Phase I Tariff necessary for the institution of interruptible service on Zone 8, being the Foothills Pipe Lines (South B.C.) Ltd. segment of the pipeline system, and on Zone 9, being the Foothills Pipe Lines (Sask.) Ltd. segment of the pipeline system; and,
2. the method of calculating the tolls for interruptible service on Zones 8 and 9, including the crediting of any revenue resulting from the provision of interruptible service to the long-term firm cost of service.

By Order No. RH-5-87, the Board set the application down for public hearing. The hearing commenced on 5 October 1987, in Ottawa, Ontario and concluded on 9 October 1987.

By letter dated 8 December 1987, Foothills applied to the Board for an interim order permitting it to establish interruptible service on Zone 9 at the rate and under the terms and conditions contained in its application of 15 June 1987. By letter dated 9 December 1987, the Board approved Foothills' request and issued Order No. TGI-53-87 authorizing Foothills to establish interruptible service on Zone 9 effective 9 December 1987.

Chapter 2

Interruptible Service

2.1 Institution of Interruptible Service

2.1.1 Interruptible Service on Zones 6 and 7

In its application, Foothills applied for the institution of interruptible service on two of its four operating zones only, namely Zones 8 and 9. In its first information request to the Company, the Board asked for the rationale for excluding Zones 6 and 7 from its application and Foothills' views on whether interruptible service should be introduced on these zones. After considering Foothills' response to these questions, the Board decided to include in the hearing the matter of whether interruptible service should be instituted on Zones 6 and 7, and, if so, under what terms, conditions and toll methodology.

From Foothills' response to a subsequent information request, it became evident that there may be no need at this time for interruptible service on Zones 6 and 7 due to the nature of NOVA Corporation of Alberta's (NOVA) interruptible toll. Foothills advised that an interruptible shipper can transport gas from and to any point on NOVA's system by paying a toll of $\$6.75/10^3\text{m}^3$. Since a shipper cannot access Zones 6 and 7 on the Foothills system without first moving its gas through the NOVA system, an interruptible shipper would have to pay the NOVA interruptible toll of $\$6.75/10^3\text{m}^3$ whether it moved its gas to the interconnection with Foothills or to the Alberta border.

In argument Foothills advised that it did not believe that there is any need, or public interest, which would be served by the introduction of interruptible tolls for Zones 6 and 7. The Independent Petroleum Association of Canada (IPAC) advised that they agreed with Foothills that an interruptible shipper on Zones 6 and 7 would end up having to pay two tolls.

Decision

The Board accepts the view that there is no need for, or public interest in, the institution of interruptible service on Zones 6 and 7 at this time.

2.1.2 Interruptible Service on Zone 8

Although Foothills applied for the institution of interruptible service on both Zones 8 and 9, the focus of the hearing was on Zone 9 only. Intervenor expressed no interest in interruptible service on Zone 8 and, when asked specifically about the need for such service on this zone, indicated either that they had no interest in the zone or did not see a need for the service on the zone.

Evidence during the hearing indicated that there has been virtually no unused capacity on the zone in recent years and that this trend is expected to continue.

In argument IPAC advised that it would appear to be of little use to offer an interruptible rate on Zone 8 because of the present load factors. Foothills, in its argument, agreed that there is no need for an interruptible toll for Zone 8 given the very high load factor in the zone and the fact that any potential shipper on that zone would probably prefer to be a shipper on the Alberta Natural Gas Company Ltd (ANG) system which interconnects with Zone 8.

Decision

The Board is not prepared to approve the introduction of interruptible service on Zone 8 at this time. Parties to the hearing demonstrated little interest in the service. Furthermore, the evidence at the hearing showed that there is little unused capacity available for interruptible service on Zone 8.

In the Board's view, if the load factor decreased on this zone, the likelihood of interruption on the zone could differ from that which currently exists on Zone 9. Therefore, a different level of interruptible toll for Zone 8 might be warranted. Should unused capacity become available on Zone 8, and should parties express an interest in obtaining interruptible service on this zone, Foothills or other interested parties may apply for the institution of interruptible service at that time.

2.1.3 Interruptible Service on Zone 9

The evidence during the hearing illustrated that there is substantial unused capacity on Zone 9 at present. No intervenor objected to the institution of interruptible service on the zone, although many supported toll designs for interruptible service that differed from that proposed by the Applicant.

Decision

The Board is of the view that there is a demonstrated need for, and a public interest in, the institution of interruptible service on Zone 9. Accordingly, the Board approves the institution of interruptible service on Zone 9.

2.2 Appropriateness of the Provision of Overrun Service

In conjunction with its application for interruptible service, Foothills proposed that overrun service be retained and that it be given priority over interruptible service. Foothills' rationale for the retention of overrun service with its applied-for priority was that overrun service enhances the value of firm service and provides an inducement for shippers to contract for it. Foothills argued that its firm shippers have contracted for a bundle of services and that that bundle includes the right to overrun service.

Pan-Alberta Gas Ltd. (Pan-Alberta) and ProGas Limited (ProGas) supported the position taken by Foothills, each arguing that the availability of overrun service is an integral part of the value associated with firm service and that it helps to attract and maintain firm service shippers.

IPAC and Shell Canada Limited (Shell) did not agree that overrun service should be retained. IPAC argued that overrun service is an interruptible service and saw no reason why it should not be offered and tiered in the same fashion as other interruptible services. Shell viewed it as a service that is left over from the pre-open-access era.

Decision

In the Board's view, a shipper under a firm service contract is contracting for the assurance that service will be available up to the level of the daily contracted quantity. The provision of interruptible service beyond this firm contract amount is, in the Board's view, a separate and distinct service. The Board considers the provision of overrun service, which is restricted to shippers holding firm contracts, to be inconsistent with the move to providing open access

to pipeline service. The Board does not endorse the retention of overrun service in instances where interruptible service is available.

2.2.1 Overrun Service on Zones 6, 7 and 8

Decision

Since the Board has not approved the institution of interruptible service on Zones 6, 7 and 8, the Board accepts the continuation of overrun service on these zones. The Board is of the view that, in principle, overrun service, with its associated absolute priority for firm shippers only, is not compatible with the concept of an open-access transporter offering interruptible service to all shippers on a non-discriminatory basis. However, where no interruptible service is available, the Board is prepared to allow the continuation of overrun service for the time being. This recognizes that there is a need to sanction what is, in effect, interruptible service for firm shippers only.

Should a need for interruptible service be demonstrated in the future for any of these zones, the Board will re-examine the provision of overrun service for the zone in question.

2.2.2 Overrun Service on Zone 9

Decision

In view of the Board's decision to approve the institution of interruptible service on Zone 9, the Board considers it no longer appropriate for Foothills to continue overrun service on that zone. The Board, therefore, directs Foothills to discontinue the provision of overrun service on Zone 9.

2.3 Interruptible Toll Design

The central issue of the hearing was the appropriate level for an interruptible toll. During the hearing, levels for interruptible tolls were expressed in different ways. Interruptible tolls at levels equal to or higher than the firm service rate at 100 percent load factor were expressed in terms of a specific load factor (e.g. the firm service rate at 90 percent load factor). Interruptible tolls at levels lower than the firm service rate at 100 percent load factor were expressed in terms of a percentage of that rate (e.g. 50 percent of the firm service rate at 100 percent load factor). Interruptible tolls at the lower levels were also referred to as discount tolls.

The Board would prefer to consider all levels of interruptible tolls using the same conceptual approach,

that is, in terms of the specific contribution made toward fixed costs. However, the Board recognizes the industry practice of expressing the different levels of interruptible tolls in different ways and will adopt the expressions used in the hearing.

Foothills applied for an interruptible toll based on a forecast of the zone cost of service at 100 percent load factor. In its view, an interruptible toll at the 100 percent load factor rate would provide a reasonable contribution to the fixed costs of the Foothills system and a fair value for interruptible service. The Company was opposed to offering an interruptible service at a toll discounted from this rate.

Pan-Alberta and ProGas did not favour discounting the interruptible toll below the 100 percent load factor rate. ProGas supported this view, in part, by pointing out that the 100 percent load factor rate was actually a discount toll since few, if any, firm shippers operate at 100 percent load factor. In argument, Pan-Alberta submitted that the interruptible rate should make a reasonable contribution to system fixed costs but that the interruptible shippers must not obtain undue advantage at the expense of existing firm shippers.

A number of intervenors supported some form of discount below the firm service rate at 100 percent load factor.

In argument, Ocelot Industries Ltd. (Ocelot) recommended an interruptible toll discounted to 50 percent of the level requested by the Applicant. It argued that such a toll would be market-responsive and would enhance the marketability of Canadian gas. Further, in its view, a rate significantly below the applied-for rate must be implemented to ensure a just and reasonable toll. Notwithstanding the level recommended by it, Ocelot suggested that a case could be made for a toll set at the level of variable costs, which in the case of Foothills would be almost negligible.

Poco Petroleum Ltd. (Poco) was the sole intervenor supporting Ocelot's recommendation for a 50 percent discount.

IPAC proposed two tiers for interruptible service, with one toll at the firm service rate at 90 percent load factor and the other at the firm service rate at 100 percent load factor. Additionally, IPAC proposed the introduction of seasonal tolls equivalent to 50 to 75 percent of its proposed two tiers of interruptible tolls. IPAC submitted that these tolls should be of-

fered in off-season months and that they would add to the competitiveness of Canadian gas in a highly seasonal market.

Foothills was opposed to the concept of tiered tolls for its interruptible service, preferring instead one fixed rate. Foothills did indicate, however, that if the Board found that a tiering system was necessary, the firm service rate at 100 percent load factor should be the lowest level of tier available. Foothills was opposed to the offering of seasonal tolls. In its view, there is no evidence that a seasonal discount would increase the amount of revenues recovered from an interruptible shipper.

Pan-Alberta advised that it preferred one Interruptible Transportation Service (IT) toll at 100 percent load factor, but could accept the tiered concept if the other tiers resulted in tolls higher than the tolls at the 100 percent load factor rate.

None of the other intervenors directly addressed IPAC's proposals for tiered tolls or seasonal discounts.

Shell supported the introduction of interruptible tolls at a discount below the rate proposed by Foothills. In its evidence, Shell suggested that the appropriate interruptible toll for Foothills should be negotiable within the range of marginal and fully allocated costs. However, in an opening statement, Shell expanded on this recommendation by stating that the Board should establish interruptible tolls such that a shipper on Foothills realizes the same percentage discount as he contracts for on Northern Border Pipeline Company (Northern Border)¹.

1 Under FERC Order No. 436, Northern Border's proposed interruptible service provides for three rate levels, a maximum rate, a minimum revenue credit and a minimum rate. The maximum rate (8.062 cents per 100 dekatherm-miles) is based on Northern Border's full cost of service, while the minimum revenue credit (3.750 cents per 100 dekatherm-miles) is designed to cover operation and maintenance expenses, taxes other than income taxes and debt service. The minimum rate (1.000 cent per 100 dekatherm-miles) is intended to represent incremental costs but, in practice, is a deemed amount since Northern Border's incremental costs are almost indistinguishable. Under the FERC order, Northern Border will have the authority to charge any rate between the maximum and minimum but must credit a minimum amount, calculated based on the minimum revenue credit, to the cost of service. During the Foothills hearing, Northern Border indicated that it could not envision any situation in which it would charge an interruptible toll less than the minimum revenue credit level. Further, Northern Border advised that it intended to establish interruptible tolls between the minimum revenue credit rate and the maximum rate at one-half cent per 100 dekatherm-miles intervals only. Thus, there may be approximately 10 tiers of interruptible tolls on the Northern Border System.

During cross-examination, Shell advised that, specifically, it is asking the Board to establish approximately ten tiers of interruptible service on Foothills and to direct that each shipper that wants to avail itself of any tier of that interruptible service must match that tier with the one it has previously contracted for with Northern Border. Shell argued that the interruptible toll structure it is proposing would allow response to whatever capacity is available, to the seasonal changes in demand and to changes in price and market conditions.

The only intervenor supporting the Shell proposal was Suncor Inc. (Suncor). A number of others, including Pan-Alberta, ProGas, Ocelot, Poco and IPAC expressed reservations about the proposal and, in the case of Pan-Alberta, suggested that the Board reject it.

One further matter raised by parties in the examination of an appropriate level for interruptible tolls is the existence of possible constraints to the introduction of interruptible tolls at a level less than applied for by Foothills. In its application, Foothills advised the Board that the gas sales contracts between Pan-Alberta and Northwest Alaskan Pipeline Company (Northwest Alaskan) contain provisions providing Northwest Alaskan with the right to renegotiate the Foothills demand charge component payable under the contracts by some of the U.S. re-purchasers from Northwest Alaskan in circumstances where Foothills' costs are not allocated in accordance with the Foothills Gas Transportation Contract. Foothills also advised that the trust deeds and loan agreements which secure the financing for the Foothills pipeline system contain a number of covenants which constrain Foothills from initiating applications to the Board which would have the effect of amending or modifying the terms or provisions of the Gas Transportation Tariff or Service Agreements. With respect to each of these matters, Foothills advised that confirmation had been obtained that there was no objection to the Foothills filing. Foothills cautioned, however, that the confirmations received were with respect to the specific amendments set out in its application.

IPAC, Ocelot and Shell all argued that the Board should disregard the constraints raised by Foothills.

Decision

The determination of an appropriate level for an interruptible toll requires the exercise of judgement. When deciding on the level, one

has to weigh the contribution that the interruptible toll should make to the fixed costs of the pipeline under the principle of cost-based tolls against the quality of service an interruptible shipper can expect to receive and the benefit long-term firm shippers derive based on the revenues to be contributed by interruptible shippers. It can be argued that the range for interruptible tolls could extend from a minimum of an interruptible toll set to recover incremental costs to a maximum equivalent to the value of service i.e. what a customer would be willing to pay. Others might argue, however, that, under the principle of cost-based tolls, the maximum should be an interruptible toll based on the firm service rate at the actual load factor experienced by the pipeline.

In view of the reliability of service that interruptible shippers can expect to receive on Foothills' Zone 9, the Board is not prepared to approve an interruptible toll below the firm service rate at 100 percent load factor. In view of the Board's decision to disallow the continuation of overrun service on Zone 9, the Board considers it appropriate that two tiers of interruptible service be instituted so that a shipper desiring priority can obtain it.

The Board considered the matter of seasonal interruptible tolls for Zone 9 but was not persuaded that seasonal discounts would be appropriate, particularly in view of the current utilization of the zone. The evidence did not indicate any seasonal fluctuation in Zone 9 utilization.

Regarding the matter of the potential constraints raised by Foothills, the Board was not convinced that this was a matter that was appropriate for the Board to consider in setting just and reasonable tolls. Notwithstanding this, the Board was not persuaded that the decision it has taken will trigger the renegotiation of the downstream gas sales contracts or the trust deed and loan agreements. It was, therefore, not necessary for the Board to decide whether this is a matter that it should take into consideration in setting tolls.

With respect to the concern raised by some parties that the interruptible tolls to be instituted on Foothills should be market-responsive, it is the Board's view that it should not be unaware of the possible effects that its decisions might have on the marketability of the commodities being transported through the pipelines under its jurisdiction; however, the Board is not persuaded that it should necessarily consider this in setting tolls and, in this

case, placed little weight on this matter. It is the Board's view that, in the case of interruptible gas, the toll should reflect, *inter alia*, the reliability of the service offered.

The Board has decided that Foothills shall offer two tiers of interruptible service on Zone 9, to be called Tier 1 (IT-1) and Tier 2 (IT-2). The IT-1 toll shall be established at 100 percent of the forecast of the zone cost of service at 90 percent load factor and the IT-2 toll shall be established in the same manner at 100 percent load factor.

2.4 Methods of Calculating Interruptible Tolls

2.4.1 Annual versus Monthly Determination

Foothills indicated that it wished to have its proposed interruptible tolls based upon an annual forecast of the cost of service rather than on the cost of service for the preceding billing month. It was the Company's position during the hearing that such a determination would be administratively easier. Additionally, Foothills noted that this would also provide IT shippers with a toll which was not constantly fluctuating.

Intervenors to the hearing did not comment on this issue.

Decision

The Board accepts the Applicant's proposal that the interruptible tolls be based on an annual forecast of the cost of service rather than on the cost of service for the preceding billing month, as is the case for overrun service.

2.4.2 Gross versus Net Cost of Service Basis

It was the Applicant's view that the tolls for interruptible service should be based on a calculation using the gross cost of service rather than the net cost of service. The difference between the two approaches involves the crediting of revenue from services, other than firm, to the zone cost of service. Under a net cost of service method of determining interruptible tolls, the forecast cost of service used to calculate interruptible tolls would be reduced by a forecast of revenues from services other than firm service. Under a gross cost of service method, no such crediting of forecast revenues would be made.

It was Foothills' argument that an IT toll based upon the iterative approach that would be required for a net cost of service method was not really necessary.

In its view, the precision of this calculation versus the additional administrative burden in doing so would not be warranted.

IPAC suggested that both the IT and Overrun Transportation Service (OT) tolls should be calculated on the same basis, that being the net cost of service method. This would eliminate the disparity between the two tolls which could arise as a result of the two being calculated using different bases for the calculations.

None of the other intervenors commented on this issue.

Decision

The Board accepts the Company's proposal that the interruptible tolls be based on the forecast annual zone cost of service before the deduction of any revenues which are forecast to be received from IT service or the Small General Service (SGS-1).

In view of the Board's decision that overrun service be discontinued on Zone 9, the issue of the possible disparity between interruptible and overrun tolls due to the method of calculation does not arise. The Board does not consider the additional precision associated with the calculation of an interruptible toll on a net cost of service basis warrants the additional administrative burden associated with it.

2.4.3 Crediting of Revenues from Interruptible Service

In its application for interruptible service, Foothills proposed that, for purposes of calculating its long-term firm cost of service, it be allowed to deduct any revenues received from interruptible service in arriving at the applicable firm service zone cost of service. This crediting of revenues for interruptible service is consistent with the policy for overrun service already in place.

None of the intervenors expressed an objection to the crediting mechanism proposed by Foothills.

Decision

The Board approves the crediting of revenues received from interruptible service to the firm service zone cost of service in establishing the firm service toll in accordance with the applied-for revision to subsection 8.61 of Rate Schedule T-1 of the Foothills tariff.

2.4.4 Methodology for the Annual Review and Approval of Interruptible Tolls

Foothills advised that it intends to apply to the Board annually to adjust its approved interruptible tolls prior to January of each year based upon its forecast of that year's cost of service.

This issue was not commented on by any of the intervenors.

Decision

In considering this matter, the Board was cognizant of a number of factors concerning the appropriate methodology for the annual review and approval of interruptible tolls. These factors included: the existing procedure for the review and approval by the Board of Foothills' operating and maintenance expense budget; the question of whether interested parties should be given an opportunity to comment on the proposed toll; the period to be allowed interested parties for comment and queries; and, the implementation of the approved methodology for 1988.

The Board has decided that, by 1 February of each year, the Company shall file, for the review and approval of the Board, proposed interruptible tolls for Zone 9 to become effective 1 April of that year. The Board requires that the proposed tolls be accompanied by supporting cost of service information and that a copy of the application and supporting information be served on interested parties at the time of filing with the Board. The Board will require notification from an interested party by 15 February should it intend to comment on the application.

The Board requires that the interruptible tolls to be submitted by 1 February be based on a forecast cost of service for the current calendar year.

2.4.5 Approved Interruptible Tolls

Decision

In accordance with the foregoing decisions, the Board approves an interruptible toll for Tier 1 service on Zone 9 of \$3.065/10³m³/100km and an interruptible toll for Tier 2 service on Zone 9 of \$2.759/10³m³/100km to be effective upon the date of release of this decision.

2.5 Availability of Interruptible Service

2.5.1 Minimum Contract Quantity

Foothills applied for the inclusion of a provision in its interruptible service agreement whereby an interruptible shipper's maximum daily receipt quantity could not be less than 28 10³m³ per day. Foothills stated that this minimum would help minimize the costs of interruptible service agreements. However, Foothills advised that it would not oppose the removal of this minimum if it was of major concern to the Board.

Shell and Ocelot stated that, although they understood why Foothills applied for a minimum daily quantity, they hoped that the Company would exercise some discretion in the treatment of any requests that might be less than 28 10³m³ per day.

Decision

In the Board's view, there is no need at this time for the Company to impose a minimum level of 28 10³m³ per day for a shipper's maximum daily receipt quantity under an interruptible service agreement. Should the Company find that an administrative burden develops from the number of requests for service agreements at a quantity below this level, it may apply to the Board for relief.

2.5.2 Creditworthiness

Foothills applied for a provision in its tariff that would require shippers to provide the Company with a letter of credit in amount, form and substance acceptable to the Company. It advised that, for interruptible service, it anticipated, where necessary, requesting a 90-day irrevocable letter of credit from a sound financial institution. The Applicant indicated that, in practice, a letter of credit would be required from all interruptible shippers. Foothills further indicated that the letter of credit should be 90 days in duration to cover the 60-day billing cycle and the existing 30-day period before which service can be suspended in the event of non-payment.

IPAC stated that the letter of credit should cover only a 65-day period and that this could be achieved by reducing the period required for the suspension of service.

Poco stated that the appropriate standard be that which the Board found appropriate in the Trans-

Decision

The Board is of the view that Foothills should be permitted to require credit assurances from prospective interruptible shippers. Accordingly, the Board has decided that Foothills may require an interruptible shipper to provide an irrevocable letter of credit from a sound financial institution or such other equivalent financial guarantee which would cover the shipper's full contractual quantity for a period of 70 days.

In view of the Board's decision that a 70-day letter of credit is more appropriate than the 90-day letter of credit requested by Foothills, the Board has decided that Foothills shall revise subsection 5.52 of the General Terms and Conditions of the Phase I Gas Transportation Tariff to allow Foothills to suspend service after ten days should the full amount of a monthly bill not be paid.

2.5.3 Upstream and Downstream Transportation Arrangements

Foothills proposed a provision in its tariff whereby interruptible service will not be provided unless a shipper has executed a service agreement; has obtained all certificates, permits, licences or other authorizations required; and has made arrangements satisfactory to Foothills to enable the shipper to deliver gas to and to take gas from Foothills' system.

Foothills indicated that it was being prudent by including this provision in its applied-for tariff. None of the intervenors commented on this provision.

Decision

The Board accepts Foothills' proposal that interruptible service shall be made available only to those shippers who have obtained all certificates, permits, licences or other authorizations which a shipper requires in connection with the gas to be tendered; and who have made satisfactory arrangements to enable the shipper to deliver gas to the shipper's receipt points and to take gas from the shipper's delivery points.

2.6 Priority of Service

2.6.1 Priority Between Services

Foothills applied for a priority of service such that Long-term Firm Service (T-1) and SGS-1 would have the highest priority followed by OT and then IT.

Foothills stated that OT should be available to the firm shipper at a higher priority than IT so as to provide an inducement for, and strength in, the long-term firm contracts.

Pan-Alberta agreed with the view of Foothills and stated that it wanted the OT to be retained in its present form and argued that its availability, including its priority, is an integral part of the value associated with long-term firm service.

IPAC and Shell stated that OT should not have priority over IT unless it is costed in a manner such that it deserves that priority.

Decision

In view of the Board's decision that OT is to be discontinued on Zone 9, and that two tiers of IT are to be introduced, the Board has decided that T-1 and SGS-1 shall have the highest priority on the zone, followed first by the firm shippers' right to receipt deficiency and make-up gas under the T-1 rate schedule; followed secondly by Tier 1 Interruptible Service; and lastly by Tier 2 Interruptible Service.

2.6.2 Allocation of Space Within the Interruptible Service

Foothills applied for a tariff provision whereby IT would be allocated, if necessary, on the basis of nominated quantities.

None of the intervenors cross-examined the Company or commented on this provision.

Decision

The Board accepts the Applicant's proposal that, should allocation of spare capacity among interruptible shippers be required, interruptible service will be apportioned on the basis of a pro rata allocation of the daily nominated volumes.

¹ Reasons for Decision dated May 1987 (RH-3-86) and August 1986 (RH-6-85), respectively.

In view of the Board's decision to approve two tiers of interruptible service on Zone 9, the allocation of space will be done separately for each tier and Tier 1 nominations will not be apportioned until all Tier 2 nominations have been curtailed.

2.7 Other Tariff Matters

2.7.1 Tender Deficiency

Under Section 3.1 of Foothills' Overrun Rate Schedule, a long-term firm shipper is permitted to ship in excess of his daily contracted quantity and not pay for the excess volumes as overrun to the extent that the shipper has not shipped his daily contracted quantity on any day in that month or the previous month (tender deficiency).

In argument, Foothills indicated that long-term firm shippers should continue to have the right to obtain tender deficiency volumes.

IPAC stated that this provision of the tariff is a bonus to the long-term firm shippers.

Decision

In view of the Board's decision that overrun service should be discontinued on Zone 9, the Board considered the matter of whether a firm shipper should have a right to move gas in excess of its firm daily contract amount and, to the extent of its undischarged tender deficiency, not be required to pay an interruptible toll. In the Board's view, a firm shipper should not have a right to move volumes of this nature and not be required to pay an interruptible toll. Therefore, the Board has decided that the tender deficiency provision is to be discontinued for Zone 9.

2.7.2 Make-Up Gas

Under the T-1 rate schedule, long-term firm shippers are entitled to make-up gas to the extent that Foothills is unable, for any reason, to accept from a shipper the whole or any portion of the shipper's nomination.

During argument, Foothills expressed its belief that long-term firm shippers should continue to be entitled to make-up volumes that arise out of receipt deficiencies where Foothills is unable to accept 100 percent of a shipper's volumes.

None of the intervenors commented on this provision of the tariff.

Decision

The Board approves the continuation of the make-up gas provision of the T-1 rate schedule.

2.7.3 Curtailment

Foothills applied for a provision in its IT-1 rate schedule which would allow Foothills to curtail further receipts of gas from a shipper if on any day a shipper fails to deliver to the receipt point, or accept at the delivery point, the gas nominated.

Regarding the merits of such a provision in place of imbalance penalties, Foothills advised that it does not believe it requires penalties to control gas imbalances and unauthorized volumes as it has a limited number of receipt and delivery points. It further advised that curtailment of service would be a last-resort means of dealing with imbalances and unauthorized volumes.

Foothills stated that it continues to believe that this methodology is appropriate for a simple system like Foothills and that curtailment of service would occur only after other operational procedures had been carried out.

None of the intervenors commented on this provision.

Decision

The Board accepts Foothills' proposal that if on any day an interruptible shipper fails to deliver to the receipt point, or accept at the delivery point, the gas nominated, Foothills should be entitled to curtail further receipts of gas from the shipper until the volume delivered at the receipt point balances with the volume delivered at the delivery point. However, the Board requires Foothills to revise its proposed tariff to reflect that:

- (i) curtailment of service would occur only after other operational procedures (including the notification of a shipper with an imbalance of other shippers with positive or negative inventory in order that, by exchange, inventories may be brought to zero balance); and
- (ii) in the event that, at the end of a given month, an interruptible shipper is in a

positive or a negative imbalance position, such imbalance will be carried forward as shipper's inventory for a period of up to the term of the shipper's service contract.

2.7.4 Termination of Agreement

Foothills applied for a provision in its tariff whereby it may, at any time during the term of a service agreement, terminate the agreement if the IT shipper has not requested service for a period of 90 consecutive days.

None of the intervenors cross-examined the Company or commented on this provision.

Decision

The Board accepts Foothills' proposal that it should be able to terminate a service agreement for interruptible service should a shipper not request service for 90 consecutive days.

2.7.5 Line Pack

Under the General Terms and Conditions of the tariff, the long-term firm shippers supply the line pack. In its application, Foothills proposed that the firm shippers continue to supply the line pack thereby excluding interruptible shippers from any line pack responsibilities.

During cross-examination, Foothills agreed that the interruptible shippers would be receiving a benefit

with regard to line pack but did not perceive this to be a major problem at this time.

None of the intervenors commented on the line pack issue.

Decision

The Board accepts Foothills' proposal that firm shippers continue to supply the line pack.

2.7.6 Term of Service

Foothills applied for an initial term of service extending from the date the service is authorized for implementation by the Board to June 1988. Under Foothills' proposal, the term then available would be to 31 December 1989 to avoid administrative costs of extending the service agreements for less than one year, with service beyond 1989 to be offered on a calendar-year basis.

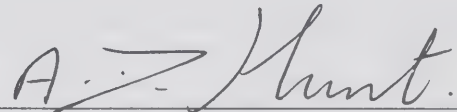
Foothills stated that the one-year term was selected because it would eventually match the applied-for interruptible service tariff provisions which Foothills proposed to adjust each year, and advised that the initial term of service could be extended to 31 December 1988.

Decision

In view of the Board's decision to adjust the interruptible tolls on 1 April of each year, the Board requires the initial term of service to extend to 31 March 1988.

Chapter 3 Disposition

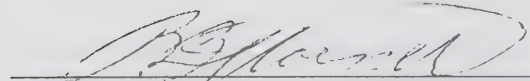
The foregoing, together with Order No. TG-10-87, constitutes our Reasons for Decision and Decision on this matter.



A.D. Hunt
Presiding Member



J.R. Jenkins
Member



R.B. Horner, Q.C.
Member

Ottawa, Canada
December 1987

Appendix I

ORDER NO. TG-10-87

IN THE MATTER OF the National Energy Board Act and the Regulations made thereunder, and

IN THE MATTER OF an application by Foothills Pipe Lines (Yukon) Ltd. (hereinafter called "Foothills") dated 15 June 1987 for certain orders respecting tolls and tariffs pursuant to Part IV of the National Energy Board Act and Part II of the Northern Pipeline Act, filed with the Board under File No. 1562-F6-6.

BEFORE:

A.D. Hunt
Presiding Member

J.R. Jenkins On Friday the 18th day of
Member December 1987

R.B. Horner, Q.C.
Member

WHEREAS an application dated 15 June 1987 has been made to the Board by Foothills seeking an order or orders under Part IV of the National Energy Board Act and Part II of the Northern Pipeline Act approving amendments in the Phase I Tariff necessary for the institution of interruptible service on Zone 8, being the Foothills Pipe Lines (South B.C.) Ltd. segment of the Foothills pipeline system, and on Zone 9, being the Foothills Pipe Lines (Sask.) Ltd. segment of the Foothills pipeline system, and approving the method of calculating the tolls for interruptible service on Zones 8 and 9, including the crediting of revenue resulting from provision of interruptible service to the long-term firm (T-1) cost of service;

AND WHEREAS the Board has heard the evidence and submissions of Foothills and all interested parties with respect to the application at a public hearing held pursuant to Board Order No. RH-5-87 which commenced in Ottawa on 5 October 1987;

AND WHEREAS the Board, on 9 December 1987, issued Order No. TGI-53-87 implementing, on an interim basis, interruptible tolls on Zone 9 under the terms and conditions as set out in the said Order;

AND WHEREAS the Board's decisions on the application are set out in its Reasons for Decision dated December 1987 and in this Order;

IT IS ORDERED THAT:

1. Foothills shall, for toll-making and tariff purposes, implement the decisions of the Board outlined in the Reasons for Decision dated December 1987 ("Reasons for Decision") and this Order.
2. Foothills shall, by 15 February 1988, file with the Board 20 copies of the revised tariff sheets required to implement the decisions contained in the Reasons for Decision, and shall serve 1 copy thereof on each interested party to the hearing.
3. Foothills shall, by 1 February of each year commencing with 1988, file with the Board 20 copies of the applied-for interruptible tolls to become effective 1 April of that year and the supporting cost of service information, and shall serve 1 copy thereof on each interested party to the hearing, all shippers, and all prospective shippers.
4. The interruptible tolls which were in effect on Zone 9 for the period from 9 December 1987 to the release of this Decision are final.
5. Any tolls and tariffs inconsistent with any Order of the Board, including this Order, are hereby disallowed.

NATIONAL ENERGY BOARD

J.S. Klenavic
Secretary

Appendix II

File No. 1562-F6-6
23 July 1987

Hearing Order RH-5-87 Directions on Procedure

Foothills Pipe Lines (Yukon) Ltd. Application for Amendments to the Phase I Gas Transportation Tariff

By application dated 15 June 1987, Foothills Pipe Lines (Yukon) Ltd. ("Foothills") applied to the National Energy Board ("the Board") for an order or orders, pursuant to Part IV of the National Energy Board Act ("the NEB Act"), to

- (a) approve amendments in the Phase I Gas Transportation Tariff necessary for the institution of interruptible service on Zone 8, being the Foothills Pipe Lines (South B.C.) Ltd. segment of the pipeline, and on Zone 9, being the Foothills Pipe Lines (Sask.) Ltd. segment of the pipeline, and
- (b) approve the method of calculating the tolls for interruptible service on Zones 8 and 9 of the pipeline, including the crediting of revenue resulting from the provision of interruptible service to the long-term firm (T-1) cost of service.

Having considered Foothills' application, the Board decided on 23 July 1987 to hold a public hearing commencing on 5 October 1987 in Ottawa, Ontario. The Board directs as follows:

PUBLIC VIEWING

1. Foothills shall deposit and keep on file, for public inspection during normal business hours, a copy of its application in its office at 3000, 707 - Eighth Avenue S.W., Calgary, Alberta.

A copy of the application is also available for viewing in the Board's Library, Room 962, 473 Albert Street, Ottawa, Ontario and at the Board's office at 4500 - 16th Avenue N.W., Calgary, Alberta.

INTERVENTIONS

2. Interventions are required to be filed with the Secretary and served on Foothills by 14 August 1987. Intervenors should include in their interventions all the information set out in subsection 32(1) of Part III to the Board's revised NEB *Draft Rules of Practice and Procedures* dated 21 April 1987.
3. The Secretary will issue a list of intervenors shortly after 14 August 1987.

INFORMATION REQUESTS

4. Information requests addressed to Foothills shall be filed with the Secretary and served on all other parties by 4 September 1987.
5. Responses to information requests received within the specified time limit shall be filed with the Secretary and served on all other parties to the proceeding by 14 September 1987.
6. Information requests to intervenors with respect to the material filed pursuant to paragraph 9 are required to be filed with the Secretary and served on all parties to the proceeding by 14 September 1987.
7. Responses to the information requests received within the specified time limit shall be filed with the Secretary and served on all other parties to the proceeding by 21 September 1987.

WRITTEN EVIDENCE

8. Any additional written evidence that Foothills wishes to present shall be filed with the Secretary and served on all other parties to the proceeding by 21 August 1987.
9. Intervenor written evidence shall be filed with the Secretary and served on all other parties to the proceeding by 2 September 1987.

LETTERS OF COMMENT

10. Letters of comment shall be filed with the Secretary and served on Foothills by 9 September 1987.

HEARING

11. The public hearing will commence in the Board's Hearing Room, Room 940, on Monday, 5 October 1987 at 1:30 p.m. local time.

SERVICE TO PARTIES

12. Foothills shall arrange to serve a copy of these Directions on Procedure and the Notice of Public Hearing, attached as Appendix I, forthwith on the parties listed in Appendix IV and the interested parties pursuant to Order TG-6-81 and RH-3-84.

NOTICE OF HEARING

13. The publications in which Foothills is required to publish the Notice of Public Hearing are listed in Appendix II.

LIST OF ISSUES

14. The Board intends to examine during the hearing, but does not limit itself to, the issues specified in Appendix III.
15. Any issues which parties wish to introduce which are not included in the application or in this Order should be fully addressed in the written evidence filed pursuant to this Order. The Board may, on the basis of that evidence, revise the list of issues and serve it on all parties.

FILING AND SERVICE REQUIREMENTS

16. Where parties are directed by these Directions on Procedure or by the revised NEB *Draft Rules of Practice and Procedure* to file or serve documents on other parties, the following number of copies shall be served or filed:

- (1) for documents to be filed with the Board, provide 30 copies;

- (2) for documents to be served on Foothills provide 3 copies;

- (3) for documents to be served on intervenors, provide 1 copy.

17. Parties filing or serving documents at the hearing shall file or serve the numbers of copies specified in the preceding paragraph.

18. Persons filing letters of comment should serve one copy on Foothills and file one copy with the Board, which in turn will provide copies for all other parties.

19. Parties filing or serving documents fewer than five days prior to the commencement of the hearing shall also bring to the hearing a sufficient number of copies of the documents for use by the Board and other parties present at the hearing.

SIMULTANEOUS INTERPRETATION

20. All parties are requested to indicate in their interventions the official language they intend to use at the hearing. If it appears that both languages will be used, simultaneous interpretation will be provided.

GENERAL

21. All parties are asked to quote Hearing Order No. RH-5-87 when corresponding with the Board in this matter.

22. These Directions supplement the revised NEB *Draft Rules of Practice and Procedure* dated 21 April 1987.

23. For information on this hearing, or the procedures governing the hearing, contact Mr. Denis Tremblay, Regulatory Support Officer, at (613) 998-7199.

J.S. Klenavic
Secretary

**Appendix I to
Order RH-5-87**

OTTAWA, 23 July 1987

**NATIONAL ENERGY BOARD
HEARING ORDER NO. RH-5-87
NOTICE OF PUBLIC HEARING**

**Foothills Pipe Lines (Yukon) Ltd. -
Application for Amendments to the Phase I
Gas Transportation Tariff**

The National Energy Board ("the Board") will conduct a public hearing into an application dated 15 June 1987 from Foothills Pipe Lines (Yukon) Ltd. ("Foothills") under Part IV of the National Energy Board Act ("the NEB Act") for amendments to its Phase I Gas Transportation Tariff to introduce interruptible service on Zones 8 and 9 of Foothills pipeline system.

The hearing will be public and will be held to obtain the evidence and relevant views of interested parties on the application. The hearing will be held in the Board's Hearing Room, Room 940, 473 Albert Street, Ottawa, Ontario on Monday, 5 October 1987 at 1:30 p.m.

Anyone wishing to intervene in the hearing must file a written intervention with the Secretary of the Board and serve a copy on Foothills at the following address:

Mr. H. Hobbs
Manager,
Public & Regulatory Affairs
FOOTHILLS PIPE LINES (YUKON) LTD.
3000, 707 - Eighth Avenue S.W.
Calgary, Alberta
T1P 3W8

Foothills will provide a copy of the application to each intervenor.

The deadline for receipt of written interventions is 14 August 1987. The Secretary will then issue a list of intervenors.

Anyone wishing only to comment on Foothills' application should write to the Secretary of the Board and send a copy to Foothills at the above address by 9 September 1987.

Information on the procedures for this hearing (Hearing Order RH-5-87) or the revised NEB *Draft Rules of Practice and Procedure* governing all hearings (both documents are available in English and French) may be obtained by writing to the Secretary or telephoning the Board's Regulatory Support Office at (613) 998-7204.

John S. Klenavic
Secretary
National Energy Board
473 Albert Street
Ottawa, Ontario
K1A 0E5
Telex: 0533791
Telecopier: (613) 990-7900

**APPENDIX II to
Order RH-5-87**

LIST OF PUBLICATIONS

Publications	City
"Times Colonist"	Victoria, British Columbia
"Sun", "Vancouver Province" & "Le Soleil de Colombie"	Vancouver, British Columbia
"Herald" & "Sun"	Calgary, Alberta
"The Edmonton Journal" & "Le Franco- Albertain"	Edmonton, Alberta
"The Leader-Post" and "Journal l'eau-vive"	Regina, Saskatchewan
"Winnipeg Free Press"	Winnipeg, Manitoba
"La Liberté"	St. Boniface, Manitoba
"The Globe and Mail", "Star", "Financial Times of Canada" & "The Financial Post" and "L'Express"	Toronto, Ontario
"The Ottawa Citizen" & "Le Droit"	Ottawa, Ontario
"The Gazette", "Le Devoir", & "La Presse"	Montreal, Quebec
Canada Gazette	Ottawa, Ontario

**Appendix III to
Order RH-5-87**

LIST OF ISSUES

This list is intended to assist all parties in defining the key issues to be addressed at the hearing. This will not preclude the Board from dealing with other matters which are normally raised by virtue of the Board's mandate pursuant to Part IV of the NEB Act.

The Board intends to examine, but does not limit itself to, the following issues:

- i) the appropriateness of the Phase I Tariff with respect to the proposed amendments to institute interruptible service on Zones 8 and 9 of the Foothills pipeline system;
- ii) the appropriateness of the proposed method of calculating the tolls for interruptible service on Zones 8 and 9 of the pipeline system, including the crediting of revenues resulting from provision of interruptible service to the long-term firm cost of service;
- iii) the question of any constraints that may exist on the ability of Foothills to file and implement tariffs for new services;
- iv) the matter of the availability of interruptible service, including the Applicant's proposals regarding a minimum requested quantity and demonstrated creditworthiness;
- v) the continued appropriateness of the provision of overrun interruptible service in view of the possible introduction of interruptible service;
- vi) the suitability of the priority of service proposed by the Applicant, including the matter of apportionment of space within the interruptible service when allocation of capacity becomes required;
- vii) the appropriateness of the applied-for tolls for interruptible service for Zones 8 and 9; and,
- viii) the suitability of the term of service proposed by the Applicant.

**APPENDIX IV to
Order RH-5-87**

Assistant Deputy Minister for Energy
Ministry of Energy, Mines and Petroleum Resources
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Mr. Geoffrey Ho
Senior Solicitor
Department of Energy and Natural Resources
10th Floor, South Tower
Petroleum Plaza
9915 - 108th Street
Edmonton, Alberta
T5K 2C9

Mr. Greg Blue
Attorney General for the Province of Saskatchewan
Department of Justice
8th Floor
1874 Scarth Street
Regina, Saskatchewan
S4P 3V7

Attorney General for the Province of Manitoba
Legislative Buildings
Winnipeg, Manitoba
R3C 0V8

Director
Legal Branch, 12th Floor
Ministry of Energy
56 Wellesley Street West
Toronto, Ontario
M7A 2B7

General Manager
British Columbia Petroleum Corporation
6th Floor
1199 West Hastings Street
Vancouver, B.C.
V6E 3T5

Procureur général du Québec
Edifice Delta
1200 route de l'église
Ste Foy (Québec)
G1R 4X7

and

Me Jean Giroux
Service juridique du Ministère de
l'énergie et des ressources
200B, chemin Ste Foy, 6^e étage
Québec (Québec)
G1R 4X7

Attorney General for the Province of New Brunswick
Legislative Buildings
Fredericton, New Brunswick
E3B 5H1

Office of the Deputy Minister
Nova Scotia Department of Mines and Energy
P.O. Box 1087
1690 Hollis Street
Halifax, N.S.
B3J 2X1

Executive Director
Industrial Gas Users Association
Suite 804
170 Laurier Avenue West
Ottawa, Ontario
K1P 5V5

Manager, Regulatory Affairs
Canadian Petroleum Association
3800, 150 Sixth Avenue S.W.
Calgary, Alberta
T2P 3Y7

Manager, Regulatory Affairs
Independent Petroleum Association of Canada
700, 707 - 7th Avenue S.W.
Calgary, Alberta
T2P 0Z2

Vice President, Corporate Secretary
Canadian Gas Association
55 Scarsdale Road
Don Mills, Ontario
M5B 2R3

Secretary
Alberta Petroleum Marketing Commission
1900, 250 Sixth Avenue S.W.
Calgary, Alberta
T2P 3H7

Mr. R.S. Kupin
Manager, Export Marketing
Atcor Ltd.
800, 800 - 6th Avenue S.W.
Calgary, Alberta
T2P 3N3

Mr. R.W. Long
Vice-President, Marketing
Direct Energy Marketing Limited
Suite 203
208 Evans Avenue
Toronto, Ontario
M8Z 1J7

Mr. M.L. Himmelspace
Counsel
Northridge Petroleum Marketing, Inc.
320, 140 - 4th Avenue S.W.
Calgary, Alberta
T2P 3N3

Mr. R.T. Booth
Bennett Jones
3200 Shell Centre
400 - 4th Avenue S.W.
Calgary, Alberta
T2P 0X9

Counsel for Atcor,
Direct Energy and Northridge
Mr. W.A. Baux
Manager - Marketing Services
Natural Gas Marketing
Shell Canada Limited
400 - 4th Avenue S.W.
P.O. Box 1444 - Station "M"
Calgary, Alberta
T2P 2L6

Mr. S.J. Haberl
Manager
Oil & Gas Marketing
Ocelot Industries Ltd.
900, 333 - 5th Avenue S.W.
Calgary, Alberta
T2P 3B6

Mr. D.G. Hart, Q.C.
Macleod Dixon
Barristers and Solicitors
1500 Home Oil Tower
324 - 8th Avenue S.W.
Calgary, Alberta
T2P 2Z2

Appendix III

File: 1562-F6-6
24 September 1987

To: Foothills Pipe Line (Yukon) Ltd. (Foothills) and
Intervenors to Board Order RH-5-87

Re: Hearing Order RH-5-87

- i) List of Issues
- ii) Sitting Hours

Having reviewed the evidence of the Independent Petroleum Association of Canada and Foothills response to question No. 2 of the Board's first information request, the Board has revised the list of issues to include the matters of:

- i) seasonal tolls for interruptible service; and,
- ii) whether interruptible service should be instituted on zones 6 and 7, and, if so, under what terms, conditions and toll methodology.

The list of issues so revised is attached for your information.

As set down in Hearing Order RH-5-87, the hearing will commence in the Board's Hearing Room (Room 940) on Monday, 5 October 1987 at 1:30 p.m.. Thereafter, unless otherwise advised by the Board, the sitting hours will be 9:00 a.m. to 1:00 p.m.

Yours truly,

J.S. Klenavic
Secretary

File: 1562-F6-6
24 September 1987

Hearing Order RH-5-87
Directions on Procedure

REVISED LIST OF ISSUES

This list is intended to assist all parties in defining the key issues to be addressed at the hearing. This will not preclude the Board from dealing with other matters which are normally raised by virtue of the Board's mandate pursuant to Part IV of the NEB Act.

The Board intends to examine, but does not limit itself to, the following issues:

- i) the appropriateness of the Phase I Tariff with respect to the proposed amendments to institute interruptible service on Zones 8 and 9 of the Foothills pipeline system;
- ii) the appropriateness of the proposed method of calculating the tolls for interruptible service on Zones 8 and 9 of the pipeline system, including the crediting of revenues resulting from provision of interruptible service to the long-term firm cost of service;
- iii) the question of any constraints that may exist on the ability of Foothills to file and implement tariffs for new services;
- iv) the matter of the availability of interruptible service, including the Applicant's proposals regarding a minimum requested quantity and demonstrated creditworthiness;
- v) the continued appropriateness of the provision of overrun interruptible service in view of the possible introduction of interruptible service;
- vi) the suitability of the priority of service proposed by the Applicant, including the matter of apportionment of space within the interruptible

- service when allocation of capacity becomes required;
- vii) the appropriateness of the applied-for tolls for interruptible service for Zones 8 and 9;
- viii) the suitability of the term of service proposed by the Applicant;
- ix) the matter of whether interruptible service should be instituted on Zones 6 and 7 of the Foothills pipeline system, and, if so, under what terms, conditions, and toll methodology; and,
- x) the appropriateness of seasonal tolls for interruptible service on the Foothills system.

Appendix IV

ORDER NO. TGI-53-87

IN THE MATTER OF the National Energy Board Act and the Regulations made thereunder, and

IN THE MATTER OF an application by Foothills Pipe Lines (Yukon) Ltd. (hereinafter called "Foothills") dated 15 June 1987 for certain orders respecting tolls and tariffs pursuant to Part IV of the National Energy Board Act and Part II of the Northern Pipeline Act, filed with the Board under File No. 1562-F6-6.

BEFORE the Board on Wednesday, the 9th day of December 1987.

WHEREAS an application dated 15 June 1987 has been made to the Board by Foothills seeking an order or orders under Part IV of the National Energy Board Act and Part II of the Northern Pipeline Act approving amendments in the Phase I Tariff necessary for the institution of interruptible service on Zone 8, being the Foothills Pipe Lines (South B.C.) Ltd. segment of the Foothills pipeline system, and on Zone 9, being the Foothills Pipe Lines (Sask.) Ltd. segment of the Foothills pipeline system, and approving the method of calculating the tolls for interruptible service on Zones 8 and 9, including the crediting of revenue resulting from provision of interruptible service to the long-term firm (T-1) cost of service;

AND WHEREAS the Applicant requested, by letter dated 8 December 1987, an order permitting it to es-

tablish, on an interim basis, interruptible service on Zone 9 of the Foothills system at the rate and under the terms and conditions contained in its application dated 15 June 1987;

IT IS ORDERED THAT:

Pursuant to Subsection 16.1(2) and Section 52.2 of the National Energy Board Act:

1. Foothills shall, effective 9 December 1987, be authorized to establish interruptible service on Zone 9 of its system, on an interim basis, under the terms and conditions contained in its application of 15 June 1987.
2. Foothills shall, effective 9 December 1987, charge, on an interim basis, a toll of $\$2.759/10^3 \text{ m}^3/100 \text{ Km}$ for interruptible service on Zone 9.
3. The toll authorized under this interim order is to remain in effect until the Board's final decision with respect to the application of 15 June 1987.

NATIONAL ENERGY BOARD

J.S. Klenavic
Secretary

